**show files**

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File   16:Gale Group PROMT(R) 1990-2001/May 30
            (c) 2001 The Gale Group
File  160:Gale Group PROMT(R) 1972-1989
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File  148:Gale Group Trade & Industry DB 1976-2001/May 30
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            (c) 2001 Reed Elsevier Inc.
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            (c) 2001 European Patent Office
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            (c) 2001 The Gale Group
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            (c) 2001 Washington Post
File  387:The Denver Post 1994-2001/May 30
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        (c) 2001 Denver Post
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        (c) 2001 USA Today
File 704:(Portland)The Oregonian 1989-2001/May 25
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        (c) 2001 Atlanta Newspapers
File 714:(Baltimore) The Sun 1990-2001/May 30
        (c) 2001 Baltimore Sun
File 715:Christian Sci.Mon. 1989-2001/May 31
        (c) 2001 Christian Science Monitor
File 725:(Cleveland)Plain Dealer Aug 1991-2000/Dec 13
        (c) 2000 The Plain Dealer
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        (c) 2000 St. Petersburg Times
File 477:Irish Times 1999-2001/May 31
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Set     Items    Description
S1      15711    (POS OR (POINT (4N) SALE)) AND RETAIL? AND (COUPON? OR PRO-
                 MOTIO? OR INCENTIVE) AND MANUFACT?
S2        736    S1 AND UPC
S3       (538)   RD S2 (unique items)
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**3/9/51      (Item 51 from file: 16)**
DIALOG(R)File  16:Gale Group PROMT(R)
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05727104    Supplier Number: 50203333  (THIS IS THE FULLTEXT)
**Reward Systems**
Crecca, Donna Hood
Convenience Store News, p27
July 6, 1998
ISSN:  0194-8733
Language: English    Record Type:  Fulltext
Document Type: Magazine/Journal; Trade
Word Count:   1775
TEXT:
Donna Hood Crecca
    More than half of American consumers carry frequent- shopper cards in
their wallets, according to ACNielsen, and supermarket operators are
perhaps the biggest initiators of these loyalty programs. While some
    estimate that more than a third of all supermarkets offer such
programs, most observers agree that only a handful are doing so efficiently
and effectively.
    Many supermarket companies are now grumbling about the cost of
maintaining frequent-shopper programs, and often find themselves awash in a
flood of customer data, and questioning the value of such far- reaching
factoids about their shoppers.
    Nonetheless, no one is abandoning the effort. 'A well-run loyalty
program can yield a net-margin increase of 30 percent,' said Barry Kotek,
managing partner of **Retail** Systems Consulting of Naples, Fla.
'Supermarkets are huge users of these programs, but there are only six or
seven chains using them effectively.'
    Many convenience store operators have been observing the supermarket
experience with loyalty programs in recent years. Rewarding frequent
shoppers while building a database that can facilitate direct-marketing
efforts is certainly appealing, but convenience operators would do well to
design programs that fulfill their customer needs and their own business
goals within the confines of the convenience operating model, experts say.
    'I wouldn't use supermarkets as the model for loyalty programs if I
were a convenience **retailer**  ,' observed Neil Raphel, vice president of
Raphel based in Atlantic City, N.J. 'The convenience store is a completely
different shopping experience. People want to be in and out quickly and are
looking for select items. You don't want to slow the transaction time with
additional steps. There's also a technology issue - convenience operators
are not at the same place as the supermarkets as far as automating.
Convenience **retailers** will want to look to programs that are not as
software dependent.'
    Developing an effective loyalty program starts with defining the goals
of the initiative. 'In general, the overall objective is driving increased
frequency of visits and average purchase size,' said Rob Little, director
of marketing and sales at National Bancard Services of Minneapolis, Minn.,
which develops customized **retail**  -loyalty programs. 'From there, you grow
greater revenues and profits.'
    'It's an outright fallacy that the card itself will increase profits,'
warned Brian Woolf, president of **Retail** Strategy Center of Greenville,
S.C., and author of Customer-Specific Marketing (Teal Books, 1996).
'Profits don't come from the card, but from the information that the card
facilitates and how you use it.'
    Specifically, loyalty programs provide two distinct benefits to
 **retailers**  ; convenience operators can opt to capitalize on one or both,
depending upon how ambitious they are and the resources available. The
first is rewarding frequent shoppers, which helps differentiate the
 **retailer** and build a relationship with the customer that increases the

competitive edge. 'For the convenience store, you're doing a lot of business with the same people every day - there's a habitual purchase, maybe coffee or a soft drink they come in for each day,' observed Raphel. 'It's good business to reward them with something of value to show your appreciation, like a coffee mug or free beverage, People will respond to that.'

Information Gathering

The evolution of the reward program leads to information gathering. Through a frequency-buying program, such as a 'Buy 10 soft drinks, get the next one free' **promotion** , **retailers** can build a database by requesting customer names, addresses and basic demographic information on the program cards. 'The key to loyalty marketing is understanding that 20 percent of your customers drive 80 percent of your business, so you want to identify that 20 percent,' said Kotek. 'Then you devise marketing plans that treat them differently than the cherry-pickers, such as special **promotions** , discounts or additional rewards.'

Basic demographic information on the frequent shoppers can easily be obtained and developed into a database without much automation. But the next step in information-gathering does require scanning or some type of automated system integrated into the **POS** system.

'The first phase is to get to know who your shoppers are,' Kotek said. 'Ultimately, with scanning, you then can get into **UPC** -level data by individual customer through tying the loyalty program to the scanning system at the **point** of **sale** . That's when you can develop highly targeted marketing programs that focus your spending against the best customers, incenting them to come in with special offers and, ultimately, directing them to buy from areas they're not shopping.'

Recent advances in automation allow **retailers** to provide real-time rewards at the **POS** . When the customer makes a purchase, the clerk is informed by the **POS** system that the shopper is due a percent discount or a free item. Some charge-card issuers, such as American Express, have initiated such programs with supermarkets and other **retailers** . DRB Systems, a software company based in Uniontown, Ohio, offers a variety of real-time loyalty-program products that are integrated with **POS** systems and can tie in with both car wash and c-store operations.

According to Director of Sales Jerry Smitley, such high-tech programming also allows the store staff to be high-touch.

'Not only can you automatically deliver the reward at the **point** -of- **sale** , but the clerk can also greet the customer by name once the card is swiped or read,' he said. 'That adds a lot to the program.'

Keep It Simple

Whatever level of loyalty-marketing programs convenience **retailers** opt to implement, one rule should apply throughout all aspects of the initiative: Keep it simple. That rule applies especially to customer involvement. 'We've found that people don't have a problem filling out a quick application form if there is a reward for doing so,' said National Bancard Services' Little. 'But the application has to be simple, maybe asking for basic demographics and three quick questions. And there's got to be an immediate **incentive** .'

Determining the incentives that will motivate customers might take some legwork. Kotek recommends surveying customers, either by mail or in-store. 'From the beginning, this is about communicating with the customer,' he explained. 'So you want to make sure you find out from them what will keep them coming in as far as a reward. Talk to the regulars in your store to find out what's valuable to them.'

The program should be easy for customers to comprehend and utilize, and simple for cashiers to administer. Scanning is perhaps the easiest format, especially if a real-time reward feature is involved. While punch cards are equally as easy, one element to be aware of with such programs is fraud. 'Everyone has a puncher, and people will scam that free soda or gallon of milk without thinking twice,' Raphel said. Frequency-buy programs that utilize stickers applied by the cashier or some other store-specific element are recommended as an alternative to punch-card programs.

Once customers are enrolled, keep them coming back for more with

exciting **promotions** or events tied to the loyalty program. 'Go with fun programs that will grab their attention and remind them of the program,' Raphel said. 'You can't just sign them up and put the onus on them to make use of the card or whatever. Remind them constantly.'

The cashier is the most important promoter of the loyalty program. 'Every time a sale takes place, the cashier should ask, 'Are you a member of the preferred-customer program?' That drives enrollment and participation because the exchange takes place at the **POS** when the customer is thinking about the issue,' said Little.

Taking the program to the next level - database development - requires some forethought. Thanks to scanning capabilities, supermarket **retailers** are able to capture an impressive range of data on their shoppers. However, many now feel overwhelmed by the volume of data. 'Supermarkets are now faced with information overload,' Kotek observed. 'It's important to figure out how deep you need to go to translate the data into effective marketing programs.'

This is where the all-important cost-to-benefit analysis needs to kick in. Before collecting the data, **retailers** should determine what they ultimately want to accomplish and then outline the information that they need to do so, according to Woolf. 'What information is of value to you in running your business? Define that, and then you can use it effectively and get the most out of your investment,' he said.

'Ultimately, no matter what type of program you do, you need to balance the cost against how much your customers are spending in the store,' Raphel added. 'Given the smaller transaction size of the convenience store versus the supermarket, the **incentive** doesn't have to offer a direct cash correlation, like a percent off purchase. Be creative and find other ways of rewarding people that are not as cash-intensive.'

Forming alliances is one option for defraying the cost of loyalty-marketing programs. Cooperative programs with non-competitive **retailers** , such as area dry cleaners, supermarkets or car washes, also reduce the number of cards to be carried by the customer, further simplifying their participation while expanding the benefits.

**Manufacturers** can also be tapped as potential partners in loyalty-marketing efforts. Winslow's Gourmet Coffee parent company New England Coffee Co. of Malden, Mass. offers a Coffee Club Card program as part of its partnership initiative with the convenience channel, according to David Vittorio, marketing manager. 'The **retailer** sets the rewards criteria - 10 purchases for one free, or a travel mug - and we share the cost of the program,' Vittorio said. The card features the **retailer** 's name and may or may not include the Winslow's logo as well. Merchandising materials are also supplied by New England Coffee to promote the Club Card program. 'The shopper's name and address is written on the back when the card is turned in for the reward. In that way, the **retailer** can begin to build a database. The program has a lot of zip to it, and we're glad to support it.'

Protecting the privacy of customers is an important element of any loyalty-marketing program and **retailers** must inform participants of the steps they will take to do so. 'First, allow an opt-out for any customer who does not want to give their information, but does want the benefits of the frequent-shopper card,' advised Kotek. 'Second, guard the database with your life. Do not give out any names, addresses, or customer-specific purchasing information to third parties.'

As more and more convenience **retailers** move toward scanning, the ability to enact comprehensive loyalty programs that provide the dual benefit of rewarding customers and gathering crucial data will increase. But even the simplest program can drive sales. 'This is a big opportunity for convenience stores, especially because they can learn from the experiences of other **retailers** ,' said Raphel. 'Identifying your best customers and rewarding them can only serve to drive business.'

PUBLISHER NAME: MacFadden Publishing, Inc.
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GEOGRAPHIC NAMES: *1USA (United States)
PRODUCT NAMES: *5411300 (Convenience Stores)
INDUSTRY NAMES: BUSN (Any type of business); RETL ( **Retailing** )
NAICS CODES: 44512 (Convenience Stores)


**3/9/133 (Item 15 from file: 148)**
DIALOG(R)File 148:Gale Group Trade & Industry DB
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09749091 SUPPLIER NUMBER: 19780499 (THIS IS THE FULL TEXT)
**First steps toward scan-based trading.**
Wellman, David
Supermarket Business, v52, n8, p28(4)
August, 1997
ISSN: 0196-5700 LANGUAGE: English RECORD TYPE: Fulltext; Abstract
WORD COUNT: 2358 LINE COUNT: 00183

ABSTRACT: Scan-based is broadly defined as the use of daily **point** -of-
**sale** scanner data to manage payment, **promotion** , and replenishment of
products in the supermarket. Used efficiently, scan-based trading can
reduce inventories, cut labor expenses, streamline and hasten distribution,
eliminate unnecessary paperwork, and subsequently generate savings for both
the **retailer** and **manufacturer** . In Jan 1997, the Grocery **Manufacturers**
of America sponsored a testing on scan-based payment. Although the test was
successful, those who oppose scan-based trading contend that it will only
give **retailers** huge technological and cost problems.

TEXT:
A GMA-backed test at H-E-B shows scan-based trading can work. But
questions about costs and the relative benefits to **retailers** and
**manufacturers** leave unclear the issue of just how it would work.
Take your pick: scan-based trading is a) already happening, b) coming
soon to a supermarket near you, c) about as likely as hell freezing over.
The answer is all of the above. The only surety in this can of golden
worms opened by the Grocery **Manufacturers** of America is that scan-based
trading is a good idea. But the implementation, ah, there's the rub.
First, what is scan-based trading? Very broadly, it's using daily **POS**
scanner data to manage payment, **promotion** and replenishment for products
in the supermarket. It holds the potential to reduce inventories, cut labor
costs, streamline and speed up distribution, shred mountains of paperwork
and generally save money for **retailer** and **manufacturer** alike.
That is, if you're a DSD **manufacturer** . And if, as a **retailer** , your
**POS** and information systems are on a par with those of H-E-B. Unless, of
course, you decide to bypass the scan-based trading best practices
guidelines now being developed by GMA. In that case, efficient market
services (ems), a real-time data supplier, can hook you up for scan-based
trading tomorrow.
The scan-based trading concept has been bandied about for years, but
technological snags, the traditionally rocky **manufacturer** / **retailer**
relationship and legitimate business issues confined it to the realm of
"great idea, but ..." All those issues remain, but thanks to GMA they're
now on the table and the system itself has had one successful, albeit
extremely limited, test.
For 20 weeks beginning last January, seven major DSD **manufacturers** -
Anheuser-Busch, Coca-Cola, Earthgrains, Frito-Lay, Miller Brewing, Nabisco
and PepsiCo - let three of H-E-B's San Antonio stores pay for product based
on scanner movement. The test was sponsored by GMA and designed and
monitored by Prime Consulting (Bannockburn, Ill.).
This pilot test concentrated almost solely on scan-based payment. The
system tested the following:
* Elimination of back room check-in. That reduced labor costs, cut
out bottlenecks and allowed **manufacturers** 24-hour delivery access.
* A paperless, scanner-based information flow. That was a prelude to

cutting out invoice discrepancies, billbacks and mounds of paperwork.
   * A perpetual inventory system, in which each store's deliveries were mated to its sales.
   How much, in terms of dollars, this saves **manufacturers** remains a matter of conjecture. However, the final report on the test, due out this month, should have some numbers, promises Dan Raftery, president of Prime Consulting.
   But for H-E-B, the test augured big savings. "If we can move 50 percent of our DSD sales to scan-based trading, our inventory investment would decline by 10 percent to 12 percent," says Scott McClelland, senior vice president of marketing. "(That) translates to a two-point improvement in our corporate return on assets."
   McClelland, along with Randy Whaley, vice president of customer development at Frito-Lay, presented these numbers as part of a preliminary report on the test at the GMA conference at The Greenbrier in June. The result was a furious salvo of questions and frantic scribbling of notes among **retailers** in the audience.
   Few, though, are capable of implementing scan-based trading anytime soon. "If they devoted the necessary resources, about 30 percent (of
 **retailers** ) could do it within a year or two," Raftery estimates. The more recently a **retailer** or wholesaler upgraded its **POS** system, the faster it can climb aboard, he notes, adding that many are in the midst of such upgrades. as part of their programs to exterminate the Millennium Bug. As a result, he predicts, large-scale scan-based trading "could happen by 2000."
   Scan-based trading as defined under GMA standards, that is. Mike Spindler, executive vice president of sales and client services at eros, says his firm is "doing about a dozen scan-based payment projects right now." The Deerfield, Ill. firm draws daily **POS** data from more than 4,000 stores accounting for more than 25 percent of grocery all-commodity volume.
   A Burden on **Retailers**
   Spindler argues that scan-based trading as currently being structured by GMA will place a huge technological and cost burden on **retailers** .
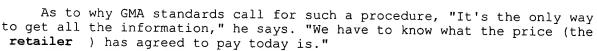   First, he notes, **retailers** will have to poll their **POS** systems in every store every day. If they're currently pulling down data once a week, for example, they'll need seven times the communication throat and seven times the computer storage space to go daily. And to ensure the cleanest possible data, they've got to get every store every day – which means they'll need operations staffs to plug the inevitable holes.    .
   Then there's getting the data itself. GMA standards call for culling two pieces of information: unit movement and price paid. "Very few
 **retailers** pull back price paid, because they have a price file at headquarters," Spindler says. "But chances are, the price (charged at the store) is different." **Coupons** , manager's pricing discretion and deals are just some of the ways the price can change.
   And finally, there's the processing of the data. GMA calls for the
 **POS** data to be run through the **retailer** 's legacy accounting system to pick up cost information, then put into an electronic data interchange (EDI) format and shipped off to the **manufacturer** . "No EDI system exists to support this level of transaction," Spindler says.
   **Manufacturers** face similar technical challenges. "We have to become full EDI-capable," says Martha Uhlhorn, vice president ECR and sales technology for Earthgrains. "Our problem is our legacy systems. They have to be able to accept the EDI transaction and then bridge into other systems like accounts payable." That means hiring programmers to get all these computers to talk to one another. And like Spindler, Uhlhorn suspects that the huge amount of data involved in daily scan-based trading will eventually make computer storage capacity an issue.
   Raftery argues that none of these challenges is insurmountable, pointing to the simple fact that H-E-B and seven **manufacturers** just did it. While he admits that running **POS** data through a legacy accounting system to pick up cost information isn't something many **retailers** can now do, "it's not rocket science," he says. "All we're talking about is matching two files. We know a few **retailers** who are very close to being able to do it."

As to why GMA standards call for such a procedure, "It's the only way to get all the information," he says. "We have to know what the price (the **retailer** ) has agreed to pay today is."

Ems, whose own instore computers draw data directly from scanners, doesn't draw down cost information for its scan-based trading clients. In these cases, the **manufacturers** and **retailers** involved have agreed on a standard price and ems simply furnishes unit movement data. While that works fine for products bought on consignment, Spindler admits it isn't going to work for items whose prices change constantly, such as snacks and soft drinks.

While there's general agreement that cost data has to be part of the equation and that somehow it's going to have to be merged with **POS** data and placed into an EDI format, opinions diverge on how it will happen. Raftery argues that the **retailers** will do it. Spindler says it will cost too much. Instead, he predicts, "Some network vendor will come along and make a business out of this."

'Payment Network'

Sooner than anyone might expect, he adds. "There are several companies looking at it," he says, "and plans are more than on the drawing board."

Such a "payment network" would operate as a central site for cost information. **Retailers** would transmit their cost information to the network, which would handle the tasks of lining it up with scan data and packaging it into an EDI format for **manufacturers** . This would relieve **retailers** of the task of developing and/or buying new computer software and hardware to facilitate scan-based trading.

But this would mean **retailers** would have to share their cost information with a third party, which many believe is an event that falls into the "when hell freezes over" category. "There are a lot of precedents," Spindler responds. He cites MSA, a Pittsburgh-based company that collects tobacco products sales information from **retail** and feeds each **manufacturer** its brands' stats.

There's also QSR, which Spindler describes as an "EDI-based product catalog" in the apparel business. Some **manufacturers** place product information in the QSR catalog meant solely for a specific account, like Wal-Mart, and other **retailers** don't get access to those **UPC** codes. "EDS has a similar network in the agricultural/chemical business," he adds.

In short, Spindler contends, confidentiality isn't really a problem. He notes that multiple supermarket **retailers** already share data with the same third-party suppliers, ems among them.

But whether a third-party supplier appears or **retailers** set up their own systems, scan-based trading is viewed as inevitable by many observers. "The technology's not going to be a deal-breaker," says Scott Taylor, vice president of sales and marketing at Trade Dimensions (Stamford, Conn.). "But there's a lot of trust that has to go on."

Trade Dimensions' TDLinx product essentially a universal "tag" that attaches to any **manufacturer** , **retailer** or third-party data base of stores and allows everybody to match up stores despite different internal numbering systems - has obvious applications in scan-based trading. Among other things, it would be useful for **manufacturers** and **retailers** to be talking about the same store or store route when discussing problems with shrinkage.

Because the GMA test involved eliminating back room check-in and centered on products like soda and bread that are sold through non-scanned venues like vending machines or the deli, shrink was expected to be a big problem.

It wasn't. The shrink level in the test was 0.5 percent in units and just 0.1 percent in dollars.

But the pilot test participants are taking that with a grain of salt. Notes one: "A three-store test like this is surely going to succeed."

Even the world's stupidest thief would have thought twice about trying to pull anything with seven top **manufacturers** , H-E-B, GMA and Prime Consulting all piled into just three stores. And all the organizations, of course, had their best and brightest on board for the test.

GMA isn't blind to this. Among the "important components" to be

"ironed out" between the preliminary report and the final version in August are "time investment for store-level inventories, process for accurate perpetual inventory systems and accounting for product that is not scanned, such as soda vending machines."

All of the **manufacturers** involved in the GMA test sat down beforehand with H-E-B and hammered out agreements on sharing shrink risk, operating hours and similar key points. But agreements, like battle plans, rarely survive an encounter with the enemy.

"I think we'll have to develop policies on the fly," predicts Earthgrains' Uhlhorn, adding that the unexpected makes it all the more important that those upfront agreements be "top to top."

Acting as Partners

"You need to have dedicated resources on both sides," she says. "And you have to come in with your hands at your side. No matter what bumps you hit, you have to resolve them as partners, not adversaries."

And that brings us back to the uncertainty about how much **manufacturers** would benefit from scan-based trading.

"If Coke or Frito-Lay wants to play the game, nothing in terms of technology is standing in the way," says SUPERMARKET BUSINESS technology editor Richard Shulman. "The issue is trust and what's in it for each side."

Shulman believes there's more in scan-based trading for the **retailer** . "The **retailer** eliminates an enormous administrative burden," he says. "The **retailer** doesn't have to receive. The **retailer** doesn't have to match the weekly summary.

"But the only direct advantage for the  supplier is that the driver spends less time at the store." The drivers still have to account for the product that was on their trucks, and the paperwork still has to be done at the bottler or distributor. "It doesn't seem equal," Shulman says.

And then there's the payment issue. "If (the supplier) isn't getting paid for five days, what does that cost him?" Shulman asks. "And how much does (the **retailer**  ) gain?" **Manufacturers**   , Shulman bets, will want a piece of that gain.

And some agreement, he continues, will be found. Like everyone else, Shulman believes scan-based trading is coming. "It will happen as soon as we get ground rules for sharing the benefits," he says.

Finally, what about outside DSD? Is there any future for scan-based trading there? "It depends on where a company makes its money," says Prime Consulting's Raftery. "Warehouse products could easily be adapted to this, especially items with a constant flow.

"But a wholesaler's not going to make money on scan-based trading - he doesn't have scanners. For a self-distributing **retailer**  , it makes more sense to do this with high-volume products. Later, as the system develops, you might ask why you want to bother owning even slower-moving items for a week?

"(Scan-based trading) works (for DSD) because you have a body on the street who's merchandising as well as delivering. Administration of that network is hugely complex. You aren't going to get the same savings on a warehouse operation."

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